

**State of Washington
Decision Package**

Agency: 310 Department of Corrections
Decision Package Code/Title: 8L – Lease Rate Adjustments

Budget Period: 2005-07

Budget Level: M2 – Inflation and Other Rate Changes

Recommendation Summary Text:

The Department requests funds for lease increases at 48 community supervision field offices, Tumwater headquarters office, two hearings offices, and two work camps.

Agency Total

<u>Fiscal Detail</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>Total</u>
Operating Expenditures			
001-1 - General Fund - Basic Account-State	\$1,337,000	\$1,595,000	\$2,932,000
Staffing			Annual
FTEs	<u>4.0</u>	<u>4.0</u>	<u>Average</u> 4.0

Program 100-Admin & Program Support

<u>Fiscal Detail</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>Total</u>
Operating Expenditures			
001-1 - General Fund - Basic Account-State	\$491,000	\$491,000	\$982,000
Staffing			Annual
FTEs	<u>4.0</u>	<u>4.0</u>	<u>Average</u> 4.0

Program 200-Institutional Services

<u>Fiscal Detail</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>Total</u>
Operating Expenditures			
001-1 - General Fund - Basic Account-State	\$93,000	\$97,000	\$190,000
Staffing			Annual
FTEs	<u>N/A</u>	<u>N/A</u>	<u>Average</u> N/A

Program 300-Community Corrections

<u>Fiscal Detail</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>Total</u>
Operating Expenditures			
001-1 - General Fund - Basic Account-State	\$753,000	\$1,007,000	\$1,760,000
Staffing	FY 2006	FY 2007	Annual
FTEs	N/A	N/A	Average
			N/A

Package Description

The Department currently leases more than 85 offices and facilities scattered throughout the state. The majority of these are field offices, which house community corrections officers and where offenders report as part of the terms of their supervision.

In general, lease agreements are for a fixed rate for a five-year period, although some leases occasionally have an annual lease increase as part of the agreement. At the end of the lease agreement, the Department must negotiate a new lease. Escalating market rates for office space in both urban and rural areas have caused new lease agreements to be higher than the original agreements. Leasing different office space is occasionally a viable option, but, in recent years, it has become extremely difficult to site offices because many communities do not want offenders under supervision reporting to local offices. The Department has, therefore, found negotiating new lease agreements for existing space at increased rates to be a more viable option than siting new space. Five of the 52 leases due to be renegotiated will include requests for tenant improvements to modify, expand, or relocate current office space to accommodate current staffing needs.

The Department is relocating the headquarters facility to Tumwater. The Department is consolidating two additional leased office spaces in Thurston County to the Tumwater building. The Department requests additional funding for the increase in lease costs.

In addition to the lease of offices and facilities, the Department has entered into agreements with the Department of Natural Resources (DNR) for the lease of land on which four work camps are located. These are separate agreements for each location, which are renewed based on the terms of the individual contracts. Two of the four locations are anticipating an increase in the current lease costs for the 2005-2007 Biennium.

The Department therefore requests funding for lease increases and related tenant improvements expected to be incurred during Fiscal Years 2006 and 2007.

Capital Programs

The Office of Financial Management's 2003-2013 Capital Budget Instructions indicate that capital construction funds are generally dedicated to the acquisition, construction, and renovation of capital assets and should not be used to subsidize operating budget costs.

One facility manager, two facility planners, and one engineering aide support all operating leases statewide for leased office space (over 80 offices statewide) supporting all programs in the Department. These positions provide a less expensive option than fully utilizing the Department of General Administration staff for these services. Having the expertise within the Department provides better communication and services for these unique facilities. Continued funding of four positions is critical to a number of essential functions in the Capital Planning and Development group. The loss of any one of

these positions would seriously impair the Department's ability to manage, site, and maintain existing leases in the Department.

Narrative Justification and Impact Statement

How contributes to strategic plan:

This request is critical to agency activities, the strategic plan, and statewide results. The request ensures that the Department has the necessary resources to maintain current levels of service and performance.

This request is required to support the agency activity *Supervise High-Risk Adult Offenders in the Community*. The resources identified will be directed to support the agency objective to increase local partnerships that support communities acceptance of returning offenders so that there is increased community capacity/resilience for returning offenders. This objective and strategy moves the Department closer to meeting its high-level organizational goal to reduce victimization. This high-level goal is an intermediate outcome and helps achieve statewide results that improve the safety of people and property.

Performance Measure Detail

No measures were submitted for this package.

Reason for change:

Regularly scheduled increases in lease costs will occur in during the 2005-2007 Biennium.

The Department was contacted by the Department of General Administration (GA) in February 2004 as a potential replacement candidate in the Tumwater Office Building (TOB) based on the Washington State Patrol's request to withdraw from their commitment as an anchor tenant. Recognizing the many issues facing the Department in its current location, the Department embarked upon assessing its needs to determine if the TOB will meet its future program needs. The Department headquarters building faces three main issues relative to space needs:

- Rapidly aging and in need of significant remodeling
- Does not accommodate existing personnel in one location
- Infrastructure will not accommodate growing and evolving information technology needs

Based on the analysis, the Department decided to move forward with relocating of the headquarters operations into the TOB.

The transfer of funding and positions from Program 900 to Program 100 is consistent with the Office of Financial Management's 2001-2013 Capital Budget Instructions.

Impact on clients and services:

Currently, offenders are required to report to field offices located in the community in which they reside. Funding for increased lease costs will allow the Department to maintain the current level of services to the offenders at the present locations in the communities.

Pertaining to the headquarters move, the Department believes that moving to a facility that combines a modern technology infrastructure, capacity for consolidation and workforce growth, and a healthy and sustainable workplace environment will greatly improve the Department's efficiency and effectiveness as an organization. Planned completion of building construction is late Summer of 2005 with occupancy planned for Fall of 2005.

Impact on other state programs:

N/A

Relationship to capital budget:

The transfer of funding and four positions from Program 900 to Program 100 would shift expenditures from Fund 057 – the State Building Construction Account to the General Fund.

Required changes to existing RCW, WAC, contract, or plan:

Will require lease termination for current headquarters lease.

Alternatives explored by agency:

The Department has had some success in collocating small-scale field operations with other criminal justice and social services professionals, particularly local law enforcement, and is committed to pursuing further opportunities as they become available.

The Department explored the possibility of remodeling its current headquarters location and upgrading the current information technology, phone, and utility infrastructure. The estimated costs of this option exceeded the costs of moving to the TOB. The Department also evaluated staying in its current location. This option would not be viable without continued fragmentation and impacts to information technology due to future growth.

Budget impacts in future biennia:

The impact of these rate increases will need to be biennialized and carried forward into future biennia. The transfer of funds from the Capital Budget to the Operating Budget are assumed continue into future biennia.

Distinction between one-time and ongoing costs:

The increased lease costs will continue into future biennia. The tenant improvement costs for community corrections offices totaling \$421,000 are one-time expenditures. The transfer of funds from the Capital Budget to the Operating Budget are assumed to be ongoing.

Effects of non-funding:

If funding is not received, the Department could lose leased sites, with a subsequent reduction in the level of services provided.

The Department has signed a Letter of Intent with GA committing to become a tenant at the new Tumwater site. If funding is not received, the Department will not be able to pay the increased lease costs when we occupy the new building.

Expenditure Calculations and Assumptions

Program 300—Community Supervision:

Currently, there are 13 community corrections and hearings field offices sites that have leases expiring prior to 2005-2007 Biennium and 41 sites that have leases expiring during the 2005-2007 Biennium. Calculations are based on known or expected lease increases, using prevailing market rates. Increases range from six percent to a high of approximately 29 percent.

The Department is including \$421,000 to mitigate the expenses of tenant improvements and other infrastructure requirements for five offices to accommodate existing staff, eliminate overcrowding, and consolidate multiple sites into one location. This is separate and distinct from funding provided to accommodate the needs of new staff. This process is more cost effective and timely when finding additional space for current staff, since there are no siting issues that would typically occur from adding a

new office location. Also, there are areas where siting issues make building owners unwilling to lease offices to the Department. When applicable, the expansion of existing office space at current locations will alleviate any siting issues. The additional lease costs pertaining to the TOB for Program 300 total \$53,000 per year.

Program 200-Institutional Services:

Four work camps in the Department (Cedar Creek Corrections Center, Larch Corrections Center, Clallam Bay Corrections Center, and Olympic Corrections Center) lease the land on which the camps are located from the Department of Natural Resources (DNR). Estimated lease increases will affect two of these work camps (Clallam Bay Corrections Center and Olympic Corrections Center) during the 2005-2007 Biennium. Due to the timing of the contract renewal dates for these camps, the lease increase for Fiscal Year 2006 is \$2,078 and Fiscal Year 2007 is \$6,077. The additional lease costs pertaining to the TOB for Program 200 total \$91,000 per year.

Program 100-Administration:

The transfer of staff from Program 900 to Program 100 will result in an increase of \$290,000 for Fiscal Year 2006 and \$290,000 for Fiscal Year 2007 for 001-General Fund-State. The additional lease costs pertaining to the TOB for Program 100 total \$193,000 per year.

<u>Object Detail</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>Total</u>
A Salaries and Wages	\$214,000	\$214,000	\$428,000
B Employee Benefits	63,000	63,000	126,000
E Goods and Services	1,056,000	1,314,000	2,370,000
G Travel	3,000	3,000	6,000
J Capital Outlays	1,000	1,000	2,000
Total Objects	\$1,337,000	\$1,595,000	\$2,932,000